Winning Big but Feeling No Better?
The Effect of Lottery Prizes on Physical and Mental Health

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We use British panel data to determine the exogenous impact of income on a number of individual health outcomes: general health status, mental health, physical health problems, and health behaviors (drinking and smoking). Lottery winnings allow us to make causal statements regarding the effect of income on health, as the amount won by winners is largely exogenous. Positive income shocks have no significant effect on general health, but a large positive effect on mental health. This result seems paradoxical on two levels. First, there is a well-known gradient in health status in cross-section data, and, second, general health should partly reflect mental health, so that we may expect both variables to move in the same direction. We propose a solution to the first apparent paradox by underlining the endogeneity of income. For the second, we show that lottery winnings are also associated with more smoking and social drinking. We thus present one of the first microeconomic analogues of previous work highlighting the negative health consequences of good macroeconomic conditions. General health will reflect both mental health and the effect of these behaviors, and so may not improve following a positive income shock.